

ILLINOIS GAMING BOARD MEETING MINUTES
November 26 and 27, 1990

Present: William Kunkle, Chairman; Board Members: J. Thomas Johnson, Raymond Niepert, Robert Gibson, Jack Chamblin

Also Present: Morton E. Friedman, Administrator; Joseph McQuaid, Deputy Administrator/Enforcement; Roger Shields, William Eder, Thomas Biebel, Larry Doiron, Gambling Officer Commanders; Donna More, Chief Legal Counsel; Robert D. Steere, Assistant Director, Illinois Department of Revenue; Frederick R. Baird II, Secretary of the Board; media; the general public

The meeting was called to order at 9:40 a.m. by Chairman Kunkle with all Board members present.

The first order of business was approval of the minutes of the Board meeting of May 11, 1990. The minutes were approved upon motion passed unanimously by the Board.

The next order of business was approval of the minutes of the Board meeting of June 5, 1990. Mr. Johnson noted a typographical error contained in the first dot point of the fifth paragraph on page four. He stated that the sentence "An applicant could apply after July 1, 1990 for a license effective January 1, 1992." should read ". . . effective March 1, 1992." The Board concurred with that correction.

Mr. Johnson then asked for a clarification of Chairman Kunkle's statement contained in the next to last paragraph on page four. Chairman Kunkle explained that under his interpretation of Act if the Board took final action issuing sufficient numbers of denials, or if sufficient numbers of applicants withdrew their applications, so that less than five licenses were issued this year, then the licenses not awarded would be available to applicants filing for 1992 licensure. Counsel did not offer any different interpretation. There being no further discussion, the June 5, 1990 minutes were approved as corrected upon motion passed unanimously by the Board.

The next order of business was appointment of the Secretary of the Board. Chairman Kunkle recognized Mr. Friedman. Mr. Friedman first thanked Mr. Steere for his work as Temporary Counsel and Acting Secretary of the Board. Chairman Kunkle added the Board's thanks to that of Mr. Friedman. Mr. Friedman then recommended that Mr. Baird be appointed Secretary of the Board. Upon motion, Mr. Baird was approved unanimously as Secretary of the Board.

The next order of business was a review of the Riverboat Gambling Act. Chairman Kunkle recognized Mr. Friedman. Mr. Friedman commented on the portions of the Act which mandate owner's licenses for East St. Louis, the Illinois River south of Marshall County, and Will County. Mr. Friedman commented that in the Governor's signing message to the last amendment to the Act the Governor made clear that the mandate was to apply only if the Board had an approved applicant for the area. Mr. Friedman stated that research had brought him to the conclusion that those provisions of the Act mandating licenses for specific areas were unconstitutional special legislation under Article 4, section 13 of

the Constitution of Illinois. Mr. Friedman stated that he did not mean to suggest that these areas were inappropriate for licensure, but that in his view their appropriateness was an issue to be decided by the Board on the basis of merit, and not on the basis of the statutory mandate. Mr. Friedman asked the Board not to rule on this issue at this time, and stated that it was his purpose only to inform the Board of the issue.

Chairman Kunkle stated that he had reviewed Mr. Friedman's research and as an individual Board member concurred with Mr. Friedman's opinion. The Chairman further stated that he agreed that no official business should be taken today with respect to Mr. Friedman's findings unless later deliberations compelled consideration of the issue.

The next order of business was presentation of the proposed initial rules of the Board by Mr. Friedman. Mr. Friedman briefly explained the rulemaking process to the Board. The Board then discussed and adopted various amendments to the proposed initial rules.

* Mr. Niepert suggested that the definition of "Sole Proprietor" contained in the application forms should be added to the definitions contained in Rule 100. This amendment was adopted unanimously.

* Mr. Johnson suggested that in Rules 101.10 and 210.30c the language "revocation, suspension" be added after "discipline," and before ",or other action." This amendment was adopted unanimously.

* Mr. Niepert suggested that in Rule 215.10d1(b) the term "Board" be substituted for the term "Administrator". This amendment was adopted unanimously.

* Chairman Kunkle suggested that the language contained in Rule 215.20d be changed to: "The Administrator shall report all relevant information produced by his investigation to the Board and shall indicate his opinion as to suitability." This amendment was adopted unanimously.

* Mr. Niepert suggested that in rule 410.20b2 the language "either of the" be added after "at" and before "Board's offices" and that "and" between "Springfield" and "Cook County" be changed to "or". This amendment was adopted unanimously.

* Mr. Johnson suggested that language be added to Rule 415 to make clear what is transmitted to the Board upon completion of a hearing conducted by a Board member or an Administrative Law Judge. Mr. Friedman stated that he could present to the Board prior to final adjournment a draft amendment to Rule 415 which would address this concern.

* Mr. Johnson stated that he was concerned that Rule 420 was too formal in nature, and that he was not sure that the Administrator should be delegated subpoena power in order to conduct investigations of applicants. Discussion of this question followed.

** Mr. Friedman stated that the subpoena power was important to get information from third persons who are not key persons or who have not applied for a license, and therefore are not otherwise subject to the Board's jurisdiction.

** Mr. Johnson suggested that Rule 420 might be construed so as to take some of the burden of proving suitability off of an applicant and onto the Board, and to dictate to the Board's staff how an investigation is to be conducted.

** Chairman Kunkle commented that the Board has an ongoing duty to monitor, audit and investigate licensees and riverboat gaming, that the duty of the Board to conduct investigations does not end with the issuance of licenses, and that Rule 420 is directed toward those investigations rather than the investigations of applicants. The Chairman suggested the following headings for Rule 420: "Conducting Investigations" or "Post-Licensing Investigations."

** Upon motion unanimously passed, Rule 420 was tabled in order for the Administrator to prepare alternative language.

* Mr. Niepert and Mr. Johnson expressed concerns about Rule 506, commenting that it was unclear what a "bar" of a key person was, who could implement the "bar", what an "interest in the owner" meant, whether a hearing was required, and whether there were any appeal rights. Mr. Friedman stated that he would attempt to present draft language to the Board prior to final adjournment which would address these concerns.

Upon motion unanimously passed, the proposed initial rules of the Board as amended, and as to be supplemented with respect to Rules 415 and 506, were adopted by the Board. Chairman Kunkle noted that the fact that the Board's rules had not gone through the formal rulemaking process did not preclude the Board from operating under them. Mr. Johnson and Mr. Friedman discussed the periods for public comments included in the rulemaking process, and the need and desire for public comments concerning the Board's rules.

The next order of business was the presentation of proposed application forms. Mr. Friedman submitted six application forms to the Board:

- * Owner's License Application Form
- * Supplier's License Application Form 1
- * Supplier's License Application Form 2
- * Personal Disclosure Form 1
- * Personal Disclosure Form 2
- * Personal Disclosure Form 3

Mr. Friedman commented that the Owner's License Application Form was based on old Form I, and that the Personal Disclosure Form 1 was based on old Form II. He stated that applicants having appropriate financial controls and bookkeeping in place had no difficulty in responding to those forms. Upon motion unanimously passed, the proposed application forms were adopted and staff was authorized to distribute the forms to the public.

The next order of business was the presentation of applications by the applicants for owner's licenses. Mr. Friedman explained that the presentations had been scheduled starting with applicants from the northern part of the state and proceeding south.

The first presenter was Roberts River Rides.

* Joe Luby represented the applicant. First, a video was shown to the Board. Then, statements were made by Bob Kehl, co-owner of Roberts River

Rides, Tom Fuller, Mayor of East Dubuque, and Don Eslick, a financial consultant.

* Mr. Kehl responded to questions from the Board concerning Mr. Kehl's Iowa license to run a riverboat gaming operation, his investment in that operation, whether the proposed Illinois operation would be a "second sister" to the Iowa operation, and the impact of competition between his two operations and between licensees located in geographic proximity to each other.

* Mr. Kehl responded to questions from Chairman Kunkle about operating his riverboats in the winter.

The next presenter was Jo Daviess Riverboat Corporation.

* Louis Garippo represented the applicant. His presentation was followed by a statement from James Sheerin, president of Jo Daviess Riverboat Corporation.

* Mr. Sheerin and Mr. Garippo responded to questions from the Board concerning when Jo Daviess would be prepared to begin operations, the affect on its proposed operation if both Jo Daviess and Roberts River Rides were granted a license, parties or persons who own an interest in Jo Daviess who also hold interests in other applicants or in Iowa licensees, the fact that Jo Daviess' proposed gaming operations manager is also the proposed gaming operations manager for applicants from East Peoria and East St. Louis, whether the changeover in percentage of ownership by the shareholders of Jo Daviess which has occurred has affected Jo Daviess' ability to obtain adequate financing, and whether there are mutual owners of Jo Daviess and its proposed gaming operations manager.

* Upon a question from Mr. Johnson, Mr. Friedman stated that under the Board's new rules and application forms, issues concerning an applicant's proposed gaming operations manager will not be addressed until after a preliminary finding of suitability has been made. At that time staff and the applicants will deal with the statutory prohibition against a gaming operation manager working for more than one owner's licensee.

Whereupon, the meeting was adjourned for lunch.

Upon the reconvening of the meeting, the next presenter was Mississippi Maverick.

* Mr. Friedman stated that he was not sure of the status of this applicant since the sole shareholder of Mississippi Maverick had resigned as an officer, and because Mississippi Maverick was the only applicant which had not paid its expenses as requested.

* Marty Pistorius appeared representing the applicant, and stated that there was a check for Mississippi Maverick's expenses. Mr. Pistorius made an oral presentation and showed a video to the Board. John Marks, a developer, made a statement to the Board. David Wabek appeared in order to answer questions from the Board.

* Chairman Kunkle stated that it is unclear as to who owns what and where the money is coming from concerning this applicant, and commented that the names presented in today's video are different from the names previously disclosed to the Board.

** Upon a question from the Chairman, Mr. Friedman stated that there is no documentation as to the corporate structure and ownership of Mississippi Maverick, and that Mississippi Maverick's application was incomplete when filed and remains incomplete. Mr. Wabek commented upon these issues.

* Mr. Wabek answered questions from the Board concerning the fact that Mississippi Maverick is applying for 1991 licensing even though no information has been supplied concerning its investors and corporate structure, modification of its gaming proposal, and its ownership structure. Mr. Krig responded to questions concerning changes in Mississippi Maverick's projected boat capacity and its financial projections.

The next presenter was the Schadler Mason Partnership.

* James Montana represented the applicant. He presented a motion to postpone the applicant's preliminary finding of suitability and to continue the Board's meeting.

** Mr. Friedman did not object to this motion, stating that this applicant's application had been complete when filed, and the need for a continuance arose from information which came to light as a result of the investigation of the applicant. This situation differed from that concerning Mississippi Maverick, which had never filed a complete application.

** Mr. Montana stated that the continuance is necessary only to clarify responses to the questions of the Administrator, and there would be no modification to the existing application proposal unless a change is necessary to resolve the concerns of the Board's staff.

** Mr. Johnson suggested that in the interests of fairness, the proper time to consider this motion would be after all of the applicants had made their presentations. This procedure was adopted by the Board.

* Next, Joseph Schadler made an oral and video presentation to the Board. Mr. Schadler then answered questions from the Board concerning the capacity of the applicant's boat, its financial and cost of labor projections, and the ownership interests and nature of the partnership.

The next presenter was a joint presentation of the Rock Island Boatworks and Boatworks, Inc.

* Michael Ficaro represented the applicants. Mr. Ficaro made an oral presentation on their behalf.

* Mr. Ficaro answered questions from the Board as to which applicant Mr. Jumer, 100% owner of both applicants, would divest himself of assuming the Board were to find both applicants preliminarily suitable, the ramifications of adding a new 90% owner of one of the applicants at this late date, the ramifications of granting more than five preliminary findings of suitability, and which application Mr. Jumer would go forward with assuming that the Board decided that it could grant only one preliminary finding of suitability to the applicants.

Prior to calling the next applicant, Mr. Friedman stated that the check for expenses which Mississippi Maverick had tendered earlier had been rejected for insufficient funds.

The next presenter was East Peoria Riverboat Corporation.

* Tom Moore represented the applicant. Mr. Moore offered a statement to the Board. In addition, statements were made by J. Walter Thompson, planning director of the City of East Peoria, and Dale Burkland, president of the applicant.

* Mr. Moore answered questions from the Board concerning the ownership of the applicant, the proposed gaming operations manager, the relation of the owners of the applicant with owners of Iowa licensees, the development of the proposed docking site, and the number of excursions contemplated on a daily basis.

The next presenter was the Alton Riverboat Gambling Partnership.

* Tom Long represented the applicant. Mr. Long gave an oral presentation to the Board.

* Mr. Long answered questions from the Board concerning the proposed parking facilities, the applicant's partnership capital contributions, the projected gaming bet handles, and the affect of possible friction between the members of the Connors group.

The next presenter was Riverboat Development Corporation.

* Larry Suffredin represented the applicant. Mr. Suffredin gave a brief oral presentation to the Board. Mr. Suffredin answered questions from the Board concerning various ownership interests of Mr. Goldstein, former shareholder in the applicant, and of the Goldstein family in Iowa licensees.

* Carl Officer, Mayor of East St. Louis, addressed the Board. Mr. Officer stated that the legislature had required a license to be issued for East St. Louis, and any issues concerning the constitutionality of that requirement should be left to the courts. Mr. Officer further stated that he was angered by and personally resented the statements which the Administrator had made concerning himself, Eric Vickers, corporate counsel of East St. Louis, and Joe Terrell, 100% owner of the applicant. Mr. Officer stated that the accusations which were leveled at him could be leveled at each member of the Board and the Administrator. Mr. Officer further stated that he had been told that three of the members of the Board had already made up their minds to deny the applicant's application.

** Chairman Kunkle asked Mr. Officer for the names of the three Board members who had already made up their minds and the means he had used to arrive at that determination. Mr. Officer stated that he did not know the names of the Board members, but that counsel had told him that three Board members had already made up their minds. Mr. Suffredin told Mr. Officer that he was not his counsel, and that he had not told him that three Board members had made up their minds. Mr. Officer then stated that he had been told by a reputable source that three Board members had already made up their minds.

** Chairman Kunkle asked Mr. Officer to identify the acts which each Board member and the Administrator had committed which where the same as the acts which the Administrator had complained about concerning Mr. Officer. Mr. Officer stated that he had not meant that the Board members and the Administrator had done those acts, but that they were capable of being charged

with doing those acts, and acknowledged that he had no evidence that any Board member or the Administrator had acted outside the law.

* Carl Vickers, corporate counsel of East St. Louis, addressed the Board. Mr. Vickers complained of statements which had been made by Mr. Friedman concerning himself, East St. Louis, and the applicant, stating that the statements were unfounded and asinine. Mr. Vickers then discussed the process East St. Louis had used to evaluate the potential applicants for a riverboat gaming license. Mr. Vickers then stated that he believed that Mr. Friedman had conducted the investigation of the applicant in an unfair, unethical and unprofessional manner. Mr. Vickers then discussed a charge of unethical conduct leveled against Mr. Friedman in 1978.

** Chairman Kunkle discussed the circumstances surrounding the charge of unethical conduct relating to Mr. Friedman which had been referred to by Mr. Vickers. The Chairman explained that when Mr. Friedman was chief of the criminal division of the Cook County State's Attorney Office he had initiated investigations into corrupt judges and had set up "phoney cases", a practice followed by the U.S. Attorney in the Operation Greylord investigations. The ground work laid by Mr. Friedman led to the indictments and convictions which resulted from Operation Greylord. Mr. Friedman commented that in In re Friedman the Illinois Supreme Court discharged Mr. Friedman from the recommendation of censure issued by the Attorney Registration and Disciplinary Commission.

* Joseph Terrell made an oral presentation on behalf of the applicant. Mr. Terrell also discussed the application and investigation process, and stated that Mr. Suffredin eventually told him that East St. Louis would not get a license as long as Mr. Terrell was associated with the applicant. Consequently, he agreed to sell his interest to Mr. Goldstein. Mr. Terrell stated that a few days before the Board's meeting Mr. Goldstein told Mr. Terrell that East St. Louis was not going to get a license even if Mr. Goldstein were 100% owner, and under the terms of their agreement surrendered his interest in the applicant to Mr. Terrell. Mr. Terrell stated that he is now 100% owner of the applicant.

** Chairman Kunkle asked Mr. Terrell whether he knew of any basis for the statement he said Mr. Goldstein made to him that East St. Louis would not get a license even if Mr. Goldstein were 100% owner of the applicant. Mr. Suffredin responded, stating that when he was informed that Mr. Friedman was going to recommend that the applicant not be found preliminarily suitable, even after Mr. Goldstein had become sole owner, he told Mr. Goldstein that in his opinion the Board would follow Mr. Friedman's recommendation.

** In response to a question from Mr. Johnson, Mr. Suffredin stated that as a result of conversations he had with Mr. Friedman a week before the Board's meeting he understood that Mr. Friedman would recommend that the applicant not be found preliminarily suitable regardless of the ownership of the applicant because of the manner in which river front property in East St. Louis had been acquired.

The next presenter was Mississippi Gold.

* Applicant, represented by counsel, did not make a presentation. Instead, it asked leave of the Board to withdraw its application. Mr. Friedman had no objection to the applicant's request to withdraw.

* Upon questioning from the Board, the applicant stated that if it were allowed to withdraw it intended to reapply next year in an entirely new

corporate structure with entirely new ownership in which Marvin Ornstein would not participate.

** Mr. Friedman commented that when the applicant filed its application Marvin Ornstein was its 100% owner.

** Chairman Kunkle stated that if the applicant did reapply in new form with new ownership it would be advisable for the applicant to change its corporate name.

* Upon motion passed unanimously by the Board, the applicant was granted leave to withdraw its application.

The next presenter was Mississippi Maverick, which was allowed to appear a second time.

* The applicant was represented by Mr. Jack Keane. Mr. Keane stated that he had transferred funds by wire to cover the check tendered earlier today, but apparently the wire transaction had not been completed when the Board's staff called the bank to determine whether there were sufficient funds to cover the check. Mr. Keane stated that there would be sufficient funds when the wire transaction was completed.

** Chairman Kunkle asked Mr. Keane why he was covering a check for the applicant when he was no longer associated with the applicant. Mr. Keane stated that he felt it was something that needed to be done.

Mr. Johnson asked whether there were any requests for a continuance other than the one from Schadler Mason Partnership. Mr. Friedman stated that Schadler Mason Partnership had made the only request for a continuance, but commented that there have been ongoing discussions between Boatworks, Inc. and East Peoria Riverboat Corp. concerning a merger of the two applicants. Mr. Friedman stated that those discussions were initiated at his request in order to create a stronger application, and to serve the interests of both the Peoria and East Peoria communities. Mr. Friedman stated that he believed the discussions would come to fruition, and asked the Board to delay consideration of his recommendation concerning those two applicants if the Board was going to grant the request of Schadler Mason Partnership for a continuance.

Mr. Montana appeared on behalf of Schadler Mason Partnership and renewed its request for a continuance.

Chairman Kunkle stated that Mr. Friedman's request did not affect consideration of Schadler Mason Partnership's request, because Mr. Friedman's request could be considered during the presentation of Mr. Friedman's recommendations.

Upon motion passed unanimously by the Board, Schadler Mason Partnership's request for a continuance of consideration for a preliminary finding of suitability was granted for 30 days with the express understanding that Schadler Mason Partnership would take the risk that the Board might issue five preliminary findings of suitability to the applicants which had gone forward today.

Whereupon, the meeting was adjourned until 9:00 a.m., November 27, 1990.

The meeting reconvened at 9:20 a.m., November 27, 1990, with the Chairman and all Board members present.

The next order of business was the presentation of Mr. Friedman's recommendations concerning the applicants for owner's licenses.

Mr. Friedman thanked the Board's staff for their hard work, and thanked the many government agencies which had cooperated with the Board during the investigation process.

Chairman Kunkle stated that the Board had reviewed the information packets which Mr. Friedman had prepared for each applicant. He commented that the packets were very thorough and showed that the staff had done an excellent job. Mr. Friedman then introduced the staff to the Board.

The first recommendation concerned Mississippi Maverick. Mr. Friedman recommended that the applicant not be found preliminarily suitable, and made the following comments.

- * The application of the applicant was incomplete when filed and remains incomplete today.

- * The applicant used an invalid credit card to secure food and lodging for business meetings. Its creditor was required to file a lawsuit in order to receive payment.

- * Jack Keane, sole share holder of the applicant, made a false statement in order to obtain credit from Aetna Life Insurance Co. Mr. Keane's explanation was that he had to make the statement or he would not have gotten the credit.

- * The applicant has an outstanding debt of \$60,000 to a major accounting firm located in Chicago. The bill is past due. The applicant submitted to the Board preliminary revenue projections prepared by the accounting firm which the firm had not verified or authorized for release, and represented that the projections were the final work product of the firm.

- * The drawings of the proposed riverboat submitted to the Board were crudely altered to indicate that the capacity of the boat was other than its actual capacity.

- * During the course of the investigation the applicant hid from interviews. Investigators made many unsuccessful attempts to gain information.

- * The applicant's financial consultant is a convicted felon.

- * The applicant has no financing and has no realistic prospect of obtaining financing.

The next recommendations concerned Roberts River Rides and Jo Daviess Riverboat Corp. Mr. Friedman stated that he felt that both applicants had good applications and clean backgrounds, but that only one preliminary finding of suitability should be issued between the two due to their geographic proximity. He commented that there was no indication in the projections of either applicant that the present market would justify two licensees on the Illinois side of the Mississippi River in the East Dubuque area, and that the statements made yesterday by Mr. Kehl support that view.

Mr. Friedman recommended that Roberts River Rides be found not preliminarily suitable for licensing, and made the following comments.

* The applicant is the operator of an existing riverboat excursion enterprise. The backgrounds of Mr. and Mrs. Kehl, the owners of the applicant, as business persons and as individuals are impeccable. At any other location on the Mississippi River, their application would be superb.

* Because of the applicant's existing riverboat gaming operation on the Iowa side of the Mississippi in that area, there are great reservations about recommending preliminary suitability. The applicant has committed to producing \$1,000,000 dollars in revenue to the Dubuque Racing Association from this Iowa operation. The applicant has an obligation to the City of Dubuque to use its best efforts in producing passengers and tourists on the Iowa side of the river. An Illinois riverboat gaming operation owned by the applicant would detract from that obligation to the detriment of both the Dubuque and East Dubuque communities.

* The applicant intends to lease equipment from Iowa businesses owned by the applicant, which would create the potential for conflict between the taxing authorities of Iowa and Illinois.

* The applicant does not have as much capital input as does Jo Daviess Riverboat Corp.

Mr. Friedman recommended that the Jo Daviess Riverboat Corp. be found preliminarily suitable for licensing, and made the following comments.

* The applicant's capital input and business plan is reasonable. The applicant should operate a successful riverboat gaming enterprise.

* The owners of the applicant have ties to the Alter Group and Bernard Goldstein through family or business relations, but control should not be imputed to them. Each of the owners of the applicant has independent sources of income and are not dependant on any other person for their capital contribution. They should operate as independent investors.

* The applicant agreed that the total percentage of ownership of persons identified with the Alter Group and Mr. Goldstein would not exceed 50%, and that the right to vote for the open offices of the applicant would be limited to the owners not identified with the Alter Group and Mr. Goldstein.

* The applicant was very willing to respond to regulatory concerns, even when it disagreed with those concerns.

Mr. Friedman made no comment upon the application of Schadler Mason Partnership due to the pending continuance of their application.

The next recommendation concerned Rock Island Boatworks Inc. Mr. Friedman recommended that the applicant be found preliminarily suitable for licensing, and made the following comments.

* The owner of the applicant, James Jumer, intends to duplicate in Rock Island what he established in Peoria. Mr. Jumer's Peoria boatworks is the work of creative genius and an outstanding tourist attraction. The Rock Island proposal, if it does duplicate Peoria, would be a superb tourist attraction in its own right.

* The projections and estimates of the applicant are extremely conservative.

* The nature of Mr. Jumer's financial dealings, as evidenced by his income tax returns, is extraordinarily conservative. Money is routinely put back into business investments.

* The equity contribution to the applicant has been increased to \$1,500,000.

* The background investigation of Mr. Jumer revealed no questions concerning his integrity or character.

* The valuation of Mr. Jumer's enterprises is based upon their replacement cost. The replacement costs have been backed up by appraisals or other documents. Therefore, valuation by replacement cost under these circumstances is reasonable.

The next recommendations concerned Boatworks Inc. and East Peoria Riverboat Corp. Mr. Friedman asked Chairman Kunkle whether the Board wished to defer consideration of these applicants as Mr. Friedman had suggested at yesterday's meeting. Chairman Kunkle instructed Mr. Friedman to proceed with his recommendations, and stated that the Board would consider available options to resolve the problems which were discussed yesterday.

Mr. Friedman stated that both applicants have good applications and clean backgrounds, but that Boatworks Inc. has a statutory impediment against a preliminary finding of suitability because James Jumer is 100% owner of it and of Rock Island Boatworks Inc. In addition, Mr. Friedman stated that Mr. Jumer is not in a position to choose between Peoria and Rock Island due to his contractual obligations to Rock Island.

Mr. Friedman made the following comments concerning Boatworks Inc.

* Mr. Jumer's Peoria boatworks is a work of creative genius and is an outstanding tourist attraction.

* Mr. Jumer's background and character is impeccable.

Mr. Friedman recommended that the East Peoria Riverboat Corp. be found preliminarily suitable for licensing, and made the following comments.

* The applicant's business plan is sound. Its capitalization is excellent. It should be a proper and suitable operator of a riverboat gaming enterprise.

* There are some owners of the applicant who have a family or business relation with the Alter Group and Bernard Goldstein. The applicant was very responsive to these concerns, and there is nothing to indicate that there will be any control exercised by the Alter Group and Mr. Goldstein.

Mr. Johnson asked Mr. Friedman whether the fact that the applicants which had ties to the Alter Group and Mr. Goldstein had also indicated that they intended to use Mr. Goldstein's business as the gaming operations manager of their operation indicated an attempt to place control in the hands of Mr. Goldstein. Mr. Friedman stated that in his opinion this did not indicate such an attempt.

It merely demonstrated that the applicants desired Mr. Goldstein's expertise in casino management. Mr. Friedman stated he informed the applicants as to the statutory prohibition against a gaming operations manager working for more than one owner.

The next recommendation concerned Alton Riverboat Gambling Partnership. Mr. Friedman recommended that the applicant be found preliminarily suitable for licensing, and made the following comments.

* Two owners of the applicant, Mr. Feers and Mr. Pratt, have withdrawn. The other owners will assume those individual's shares. Their withdrawal does not effect the financial viability of the applicant.

* The thoroughness of the applicant's planning, the detail of its financial reports and statements, and its responsiveness to the staff's inquiries has been superior.

* The applicant's financial and capital structure is superior.

The next recommendation concerned Riverboat Development Corporation. Mr. Friedman recommended that the applicant not be found preliminarily suitable for licensing, and made the following comments.

* The applicant's sole share holder is Joseph Terrell. Mr. Terrell was involved in United States v. Rohmer, a wire fraud indictment. Mr. Terrell was named in the indictment, although not indicted. Transcripts and published accounts of the case indicate that Mr. Terrell was a go-between between persons who sought to do business in Louisiana and Mr. Rohmer, an elected Louisiana official. The issue was whether monies paid to Mr. Rohmer were campaign contributions or bribes. The trial court found Mr. Rohmer guilty. The conviction of Mr. Rohmer was reversed on appeal because the court found that the federal wire fraud laws did not apply to state charges of public corruption. The reversal went to the applicability of the federal wire fraud law, not to the propriety of the conduct of Mr. Rohmer.

* Mr. Terrell has a misdemeanor conviction for not filing a state tax return.

* Mr. Terrell filed his 1988 and 1989 federal income tax returns immediately prior to the filing of the applicant's application with the Board.

* Mr. Terrell failed to disclose to the Board an \$80,000 tax liability to the federal government.

* Both Mr. Terrell and Carl Vickers have had a contractual relationship with the Gateway Hospital of East St. Louis, and have known each other for some time. Mr. Vickers has been to Mr. Terrell's house in New Orleans on at least five occasions.

** Mr. Vickers used his bank account to receive money sent from Mr. Terrell to be paid to Mr. Thomas, who is affiliated with Gateway Hospital. Records requested from Mr. Terrell and Mr. Vickers relating to these transactions have not been received. Both the State of Illinois and the federal government are substantial creditors of Gateway Hospital, and these transactions raise questions as to whether the creditors of Gateway Hospital have been fairly treated.

* An April 24, 1990 memo from Mr. Vickers to Mayor Officer and the East St. Louis city council is deceptive in what it does and does not say.

** The first point of the memo makes clear that negotiations for access to the river front for purposes of establishing a riverboat gaming operation were to be conducted through the city.

*** Mr. Officer and Mr. Vickers had met with Terminal Railway, the owner of the land, and had entered an agreement that Terminal Railway would not deal directly with applicants, but would only accept applicants approved by the city.

** The fifth point of the memo stated that Terminal Railway would only discuss access with parties who have land east of Terminal's land.

*** Interviews with Terminal Railway indicate that that statement is false.

*** The only party who met that false condition was Mr. Terrell.

** The sixth point of the memo stated that Terminal Railway would provided access contingent upon approval of the city and the state.

* One potential applicant, the Connally Group, attempted to deal directly with Terminal Railway. Terminal Railway refused to do so, which is understandable in light of its agreement with the city. That applicant attempted on numerous occasions to contact Mr. Vickers. Mr. Vickers refused to return their calls.

* Mr. Officer and Mr. Vickers went to Mr. Terrell's home in New Orleans in January, 1990 to attend a superbowl party and to conduct other business. From New Orleans they went to Alabama and met William Willshire and Art Hahn. Mr. Vickers stated that Mr. Hahn said he was a representative of the Alter Group. Mr. Suffredin, counsel for the Alter Group, has denied that Mr. Hahn was authorized to represent the Alter Group.

* In early March, 1990, Mr. Officer, Mr. Vickers and Terminal Railway entered their agreement concerning applicants' access to the railway's land. In March, without notice to the city council, Mr. Vickers escorted Mr. Terrell to the offices of Terminal Railway and presented Mr. Terrell as an applicant approved by the city. Terminal Railway then gave Mr. Terrell access by means of an overpass to the river front.

* An April 25, 1990 memo from Mr. Vickers left the city council with the impression that they were about to decide who was an acceptable applicant. That memo left the Connally Group with the understanding that it was to go to a city council meeting in early May in order to seek city council approval to get access to the railway's land.

** At no time did Mr. Officer or Mr. Vickers disclose to the city council or any other applicant that, without approval of the city council, Mr. Terrell had been selected as the approved applicant and had received access to the railway's land.

* This sequence of events indicates that the city council and the City of East St. Louis were mislead and not dealt with openly.

* Initially there was discussion, due to Mr. Terrell's background, of the withdrawal of Mr. Terrell from the applicant and the assumption by Bernard Goldstein of full ownership and control of the applicant. However, to allow the applicant to proceed, even under Mr. Goldstein's sole ownership, would work an unfairness on the applicants who were excluded because they were not favored by Mr. Officer and Mr. Vickers, and would reward a slight of hand. Therefore, Mr. Goldstein withdrew, leaving Mr. Terrell as the sole owner of the applicant.

Mr. Vickers approached the Board and asked whether he could respond to the statements made by Mr. Friedman. Chairman Kunkle stated that Mr. Vickers had had every opportunity to present his arguments to the Board, and refused his request.

Mr. Friedman next discussed the application of Mississippi Gold, which had been withdrawn at the close of yesterday's meeting.

* A payment of \$1,000 was made by Marvin Ornstein, sole owner of the applicant, to James Wilson, an official of the Cairo Housing Authority.

* There were a number of spontaneous demonstrations of public support of this application. Payments of various amounts were made to various people in order to fund these "spontaneous" demonstrations.

* When asked about these payments, Mr. Ornstein stated that a public official had asked him for money, and since he did not want to make the public official angry he had given the public official the money.

Upon motion passed unanimously by the Board, the Board adjourned into executive session at 10:20 a.m. in order to discuss the applicants and applications.

The Board reconvened its public meeting at 3:05 p.m.

Chairman Kunkle briefly described the application and licensing process as required under the Riverboat Gambling Act and the Board's rules, stated that should an applicant be found not preliminarily suitable for licensing the formal reasons for denial will be set forth in writing by the Chairman and forwarded to the applicant, and noted that applicants who were not found preliminarily suitable by the Board could request a hearing in accord with the Board's rules.

Next, Mr. Johnson moved that if the applicant from East St. Louis, Riverboat Development Corporation, is found to be not preliminarily suitable for licensing, then the Board shall issue only four preliminary findings of suitability for the 1991 season, and hold open the license statutorily designated for East St. Louis so that it is available to a suitable applicant from that area. The motion was passed unanimously by the Board.

Upon motions passed unanimously by the Board, the following actions were taken with respect to the applicants for owner's licenses.

* Roberts River Rides was found to be not preliminarily suitable for licensing.

* Jo Daviess Riverboat Corporation was found to be preliminary suitable for licensing.

* Mississippi Maverick was found to be not preliminarily suitable for licensing.

* Rock Island Boat Works Inc. was found to be preliminarily suitable for licensing.

* Consideration of the applications of Boatworks Inc. and East Peoria Riverboat Corp. was continued for 30 days.

* Alton Riverboat Gambling Corporation was found to be preliminarily suitable for licensing.

* Riverboat Development Corporation was found to be not preliminarily suitable for licensing.

The next order of business was presentation of the draft amendment to Rule 415 which the Board had requested at yesterday's meeting. Mr. Friedman proposed the addition of a new section 415.55 titled Transmittal of Record and Recommendation to the Board which would contain the following language: "Upon conclusion of a hearing conducted by a Board member or an Administrative Law Judge, the person conducting the hearing shall transmit to the Board the record of the hearing and his written recommendations."

Upon motion passed unanimously by the Board, this amendment to Rule 415 was adopted.

The amendment to Rule 506 requested by the Board at yesterday's meeting was tabled so that staff could have time to prepare an appropriate amendment.

There being no further business, upon motion passed unanimously by the Board the meeting was adjourned at 3:30 p.m..

Frederick R. Baird II
Secretary of the Board

